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MEMORANDUM

SUBJECT: Proposed Aquifer Exemption in
Western Osage County, Oklahoma

FROM: Myron O. Knudson
Director
Water Management Division (6W)

TO: Ramona E. Trovato
Director
Ground Water Protection Division (WH-550G)

On May 25, 1989, Phillips Petroleum Company requested an exemption for portions of the Z-sand and Happy Hollow Formations in western Osage County, Oklahoma. This exemption request was based on the facts that the formations do not now and are unlikely to serve as a source of drinking water for public water systems and the water quality (total dissolved solids) in the aquifers in the area is greater than 3000 mg/l. We submitted the request to Headquarters on July 28, 1989, with our recommendation that the proposal be approved.

To our knowledge, there are no technical issues that would preclude approving the proposed aquifer exemption. However, there has been some concern that the proposed exemption would only benefit Phillips Petroleum Company. The following is to show you that this is not the case.

1. The Osage Tribe would benefit from the aquifer exemption in that exempting the aquifers, as proposed would:
 - a. Reduce operating costs of the leases in the area. This would reduce the probability that an operator would plug a lease or temporarily abandon a lease due to unprofitable operation. Continued oil production from the area translates to royalty income for the tribe.
 - b. Reduce the possibility that Phillips Petroleum Company would sell the South Burbank Unit. If Phillips did sell the South Burbank Unit, it is likely that the new operator would not have the technical expertise to operate the unit as efficiently as Phillips. It is also possible that the unit would be broken up and no longer be operated as a waterflood. In either case, production from the unit, and tribal income, would be reduced.

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2. The Environmental Protection Agency would benefit in that we would be seen as being objective in our regulation of injection wells in Osage County, Oklahoma. This would help in our relations with the Osage Tribal Council and in our enforcement effort in the county. Conversely, disapproval of the proposed aquifer exemption would have a significant adverse effect on our relationship with the Osage Tribal Council. The continued delay in making a decision is causing some concern in the Osage Tribal Council and may soon affect our good working relationship with them. As you know, good relations with the Osage Tribal Council is absolutely necessary for us to effectively implement the Osage underground injection control program.
3. Seven oil companies, other than Phillips Petroleum Company would potentially benefit from the aquifer exemption. The proposed exempted area includes a total of 21.25 square miles and 122 injection wells. Of this, 16 square miles and 41 injection wells are operated by companies other than Phillips Petroleum Company.

I trust that this will give you some insight into how approval of the proposed aquifer exemption would benefit several entities. I am asking that you expeditiously proceed with a decision on our 1989 request. Please contact me at 214-655-7100 if you would like to discuss this further.